

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
DEPARTMENT OF WATERWORKS**

DATE: APRIL 24, 2003

The meeting of the Board of Directors (the "Board") of the Department of Waterworks (the "Department") was called to order at 6:00 p.m. in Room 107 of the City-County Building. The following Board members were present: Samuel L. Odle, Barbara Howard, Alan Kimbell and Jack Bayt.

I. Opening Remarks of the Chairperson

Chairperson Odle stated that at the conclusion of today's Board meeting the Board will receive public comments. he added that the total allotted time for public comment will be twenty minutes and asked that any person wishing to speak limit those comments to three minutes. Chairperson Odle stated that if there are person who wish to speak but do not have the opportunity to do so should communicate with Department staff that such person may wish to speak at the following meeting and the Board will attempt to move that person to the beginning of next month's public comment period.

II. Minutes of the Board Meeting of March 24, 2003

The minutes of the March 24, 2003 meeting of the Board (the "Minutes") were submitted by Chairperson Odle for a motion of approval by the Board as set forth in Exhibit A attached hereto and made a part hereof. A motion was made and seconded. The Board unanimously approved the Minutes.

III. Report of the Financial Manager of the Department

The Department's Financial Manager Robert Erney submitted to the Board his report as set forth in Exhibit B attached hereto and made a part hereof (the "Financial Report").

Chairperson Odle asked why commercial service connections numbers are different. Mr. Erney responded that it is due to bankruptcies and that the numbers are not out of the ordinary.

Ms. Howard asked if the Department sends written notices to customers as part of the Department's collection policy. Mr. Erney responded affirmatively and that he could supply her with a copy of the Department's collection policy.

Mr. Bayt asked for collection policy for receipts over 90 days. Mr. Erney responded that he would deliver the policy to Mr. Bayt.

Ms. Barbara Coughenour of the Board joined the meeting at 6:10 p.m.

IV. Report of the Operations Manager of USFIW

James Keene, Operations Manager and President of USFIW, presented his report to the Board as set forth in Exhibit C attached hereto and made a part hereof (“USFIW Report”).

Mr. Keene introduced Rosemary Campbell of USFIW to offer an update on call center efforts. Ms. Campbell stated that no busy outs, meaning an event where no one can get through via the phone, has occurred since the beginning of April 2003.

Chairperson Odle asked what the Waterbox program is. Mr. Keene stated it is approximately 30 tests and experiments that serve as an educational and environmental program that USFIW is sponsoring with the Children’s Museum.

Mark Sanderson of USFIW stated that it is designed to teach children about water issues such as water pressure and flow.

Chairperson Odle asked about the quality of bills going out. Ms. Campbell stated that USFIW has not held up any of the bill runs within the past two months and that USFIW is not aware of any incorrect bills that have been delivered in the past two months.

V. Presentation of Reservoir Treatment for Taste and Odor Matters

Dale Pershing of USFIW presented a report concerning reservoir treatment for taste and odor to the Board as set forth in Exhibit D, attached hereto and made a part hereof (the “Treatment Report”).

Chairperson Odle thanked Mr. Pershing for the report. Ms. Coughenour asked about the appeal to the Indiana Department of Natural Resources (“DNR”) concerning the Cutrine application permit. Mr. Pershing stated that a citizen has appealed the issuance of the permit.

Mr. Bayt stated that it appears that we do not have a lot of options. Mr. Pershing responded affirmatively.

Ms. Coughenour asked if the appeal deals with nutrient issues in the reservoir. Mr. Pershing stated that it is one of the issues. He added that as of now the permits are valid.

Ms. Coughenour asked if the current taste and odor treatment is the state of the art in the industry. Mr. Pershing stated USFIW is not the only place doing proactive treatment but USFIW is one of the few thus it is state of the art. Ms. Coughenour recalled that during the bidding process for the management of the utility someone mentioned that a utility on the west coast dives into reservoirs to get samples to treat early.

Dan McNabb of USFIW stated that there is a utility in California that uses divers for a reservoir that is completely cut off from animal and human contact. Mr. McNabb stated like USFIW this utility uses copper sulfate treatments and that it works just fine.

VI. Report of the Director of Contracts and Operations

Carlton Curry, Director of Contracts and Operations of the Department, presented his report to the Board as set forth in Exhibit E, attached hereto and made a part hereof (the "Department Report").

Chairperson Odle asked about the IUPUI life sciences matter. Mr. Curry responded that this effort will bring research into central Indiana and new jobs. Mr. Curry stated that IUPUI is interested in moving to locations that would include 35-40% of property currently owned by the City of Indianapolis by and through the Department.

VII. Update of Call Center and Billing Matters-Goldwest, LLC

Lane Birch of Goldwest, LLC stated that in January 2003 he was retained by the Department at USFIW's cost to effectively audit and serve as a consultant of USFIW's remediation of the billing and call center systems. Mr. Birch presented his report on such remediation as set forth in Exhibit F, attached hereto and made a part hereof (the "Remediation Report").

Mr. Bayt asked if the fluctuation model to sewer billing is fixed. Mr. Birch stated that it is no longer a coding issue but a matter of gathering three months of average usage data that is accurate to remedy the model.

Chairperson Odle stated that the Board applauds the efforts of Mr. Birch, USFIW and its employees for the work it has accomplished to remedy the situation and recognized that they have been under some pressure to address these concerns.

VIII. Resolution No. 5, 2003-Approval of 2002 Incentive Payments

Mr. Curry summarized the resolution. He added that the Department's staff is prepared to recommend payment of the Primary Water Quality incentive following staff's consultation with Board officers. Mr. Curry added that an acceptable laboratory monitoring plan has been delivered. Mr. Curry stated that regarding Secondary Water Quality incentive was previously not met due to the inclusion of a total dissolved solids element. Mr. Curry stated that because a separate Hardness incentive exists, the total dissolved solids element of Secondary Water Quality was removed thus staff is prepared to recommend payment of that incentive. He added that Regulatory Compliance criteria was reanalyzed thus the Department was prepared to recommend payment.

Mr. Curry stated concerning MIB, USFIW had made a good faith effort to meet the incentive and combined with the fact that Department's consultants were not retained

until the fourth quarter of 2003, it would unfair to hold USFIW to a stringent standard thus he is recommending payment of this incentive.

Mr. Curry stated as to TCA and Nonadenial, the contract requires three years of data to meet the incentive however neither party was aware at the time the contract was written that this data does not exist. Thus a revised standard was applied and USFIW met it.

Mr. Curry stated that the Hydrant incentive was revised due to the sale of the Utility Data Corporation to USFIW. Mr. Curry stated that because Smarte Suite lacked the data to judge this incentive, we agreed to measure the incentive with a statistical sampling. He added that of the samples, USFIW did not meet the incentive because of two events but strong equitable considerations, chief among them being the inadequacy of Smarte Suite to provide correct data, lead him to conclude, after consulting with Board officers, that this incentive should be paid.

Mr. Curry stated concerning the Projects on Schedule incentive, one event was missed by one day, thus, given that this is the first year of the contract and the events can be viewed as a partial learning experience. He recommended payment. He added that the Department will not be open to such a consideration next year.

Chairperson Odle stated that when the contract was negotiated with USFIW, a portion of the fee to USFIW was put at risk and dependent upon USFIW managing the water utility at the highest standards of the industry. He added that USFIW didn't meet all the incentives last year but were really close to meeting the industry's highest management standard. He added that payment of the incentives reflects the efforts of management and all employees and that the Board is pleased to see the incentives earned.

Chairperson Olde asked if there were additional comments. Recognizing there were none, Chairperson Odle asked for a motion to adopt the resolution. Ms. Coughenour moved for adoption and was seconded by Mr. Bayt. The Board unanimously approved the adoption of Resolution No. 5, 2003.

IX. Resolution No. 6, 2003-Approval of Capital Purchase

Mr. Erney summarized the resolution.

Chairperson Odle asked for any comments. Recognizing there were none, Chairperson Odle asked for motions to adopt the resolution. Mr. Kimball moved to adopt the resolution. Ms. Howard seconded the motion. The Board unanimously adopted Resolution No. 6, 2003.

IX. Other Business

Chairperson Odle stated that the agenda was concluded and asked for persons wishing to comment please move forward.

Glenn Pratt stated that he is concerned that USFIW is not complying with its contract given that it has not completed its nutrient study. He added that he believes USFIW is recalcitrant to working with people outside of IUPUI to address nutrient concerns. He added that the Department has the ability to limit the use of chemical applications by landowners abutting certain reservoirs.

Mr. Pratt acknowledged that a previous agreement with IWC addressed some concerns regarding DNR's permits but that the conditions of this agreement are not in the present permit. He added that this is backsliding by USFIW.

Robert Reed, president of the local union at USFIW representing some 200 employees, asked what part of the business applies to bargaining unit employees given that there is a section in the USFIW contract that addresses labor unrest. He added that there are some permanent positions filled by non union temporary employees. He asked if during the assessment of the bidding process, did anyone consider a staffing requirement. He added that he expects to see attrition at the utility in the future which lessens efficiency at the utility.

Tom Plummer of USFIW thanked the Board for the opportunity to speak. He added that each employee at USFIW is losing \$9578 per year. He asked that the Board use its power to look at these concerns and resolve them. He added that the longer the dispute goes on the stronger the employees get. He added that the mayor's political spin of his letter is not working.

Clark Kahlo stated he was dispirited that the Board did not receive citizen comments at its last meeting however now appears to be encouraging such comments. He asked if the Board has a new continuing policy on public speaking. Kobi M. Wright, Special Assistant Corporation Counsel, stated that the Board's policy is to conduct its meetings pursuant to the law. He added that the Indiana Open Door Law does not confer a right for persons to speak at this type of meeting but does require that the public be able to observe and record this meeting and that has been accomplished. He added that the Chairperson in his discretion has chosen to receive public comments at this meeting and that the Board is likely to establish some procedures for public comment in future Board meetings.

Mr. Kahlo supported such an initiative and cited an IUPUI study as a reason to provide public comment. He added that conservation is a concern and asked what public education program exists to ensure that water will be in the river during the dry season. Mr. Kahlo also asked if the Citizens Advisory Group ("CAG") reports to the Board and if USFIW has reported its top five issues to CAG and subsequently to the Board. Mr. Wright responded that CAG does not report to the Board and that the Department had not received the issue list Mr. Kahlo spoke of but that when it receives that list, the Department will provide it to him as Mr. Wright indicated in a written correspondence to him.

Chairperson Odle asked if there were any comments form the Board. Recognizing none were forthcoming, he asked for a motion to adjourn. A motion to adjourn was made and seconded. The meeting was adjourned at 7:30 p.m.

Approved this 29th day of May 2003.

Samuel L. Odle, Chairperson

Attest:

Kobi M. Wright, Special Assistant
Corporation Counsel